



DEPARTMENT OF THE TREASURY  
INTERNAL REVENUE SERVICE  
WASHINGTON, D.C. 20224

SMALL BUSINESS/SELF-EMPLOYED DIVISION

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MEMORANDUM FOR DIRECTORS, COLLECTION AREA OPERATIONS

FROM: Laura Hostelley /s/ Laura Hostelley  
Acting Director, Collection Policy

SUBJECT: Interim Guidance Regarding Qualified Intermediary Cases

The memorandum provides interim guidance when working Qualified Intermediary (QI) cases in international field collection. Qualified intermediaries are foreign entities that enter into a qualified intermediary agreement with the IRS. Qualified intermediaries file form 1042 and are assigned a special QI-EIN ranging from 98-023XXXX to 98-033XXXX. Contained in the QI agreement is provisions that penalize the QI for non payment of withholding taxes, therefore, the Trust Fund Recovery Penalty should not be assessed against Qualified Intermediaries.

Collection Policy has reviewed several QI cases and identified inconsistencies in the following case actions:

- Sending the Final Demand Letter L-1058
- Filing a Notice of Federal Tax Lien
- Pursuing the Trust Fund Recovery Penalty

Business prudence should be exercised when working these cases. The guidance below is designed to promote consistency of case actions when working a QI case.

When receiving a QI case within the EIN range of 98-023XXXX to 98-033XXXX;

- (1) Determine if the case is assigned to a Revenue Agent. Check IDRS command code AMDISA. If the case is assigned to a Revenue Agent, contact the Revenue Agent.
- (2) Determine if the liability is correct and not the result of error by the QI or the Service. Qualified Intermediaries can claim the withholding credits even though they are not

the actual withholding agent. Check the 1042 return, line 66 to verify that the QI claimed the proper withholding credits.

- (a) If the QI claimed the credits correctly on Form 1042 but was not properly credited on IDRS, contact the Qualified Intermediary Team (Maureen Davis 212-298-2120 or Ashton Ellis 212-298-2283).
  - (b) If there are no credits on line 66 of Form 1042, either the QI did not have any credits or mistakenly did not claim the credits. If the QI mistakenly did not claim the credits, the International Revenue Officer (RO) will need to secure copies of the 1042S and 1042 from the QI.
- (3) Once it is determined the liability is correct, send the Final Demand Letter L-1058 to the QI.
- (4) If no response is received from the QI, contact the Qualified Intermediary Team (Maureen Davis 212-298-2120 or Ashton Ellis 212-298-2283) prior to taking any further case action. The Qualified Intermediary Team will send a letter to the QI requiring them to contact the international RO.
- (5) If the QI does not contact the International RO within 60 days, the International RO should continue with normal collection actions such as filing the Notice of Federal Tax Lien, issuing levies, etc. The International RO should verify that the QI did not contact the Qualified Intermediary Team before pursuing collection action.

If you have any questions, please contact MJ Moran, Program Manager, International and Insular Compliance or a member of your staff may contact Senior Program Analyst, Gary Vinluan.

cc: Director, LMSB, Financial Services  
Director, Campus, Filing and Payment Compliance  
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